

**City of Lynchburg
Department of Social Services
Adoption Assistance
Program**



**June 22, 2006
Prepared by the Internal Audit Department**

Introduction

The purpose of the State's Adoption Assistance Program is to facilitate adoptive placements for children in foster care and ensure permanency for those children with special needs. A child with special needs is any child in the custody of a local board or licensed child-placing agency that has the authority to place the child for adoption, for whom it has been determined that adoption is unlikely within a reasonable period of time. Factors for that determination include physical, mental or emotional conditions, birth injury leading to risk of future disability, circumstances related to age and racial or ethnic background.

Adoption assistance includes subsidy payments to the adoptive parents and other persons on behalf of a child in the custody of the local board or a licensed child-placing agency. According to the Code of Virginia, Section 63.2-1301, these payments "*shall be made only after a reasonable but unsuccessful effort has been made to place the child with appropriate adoptive parents without the provision of adoption assistance...*" Subsidy payments are made when it has been determined that the adoptive parents are capable of providing permanency needed by the child in all respects except financial.

Subsidy payments include a monthly maintenance subsidy to provide for the support and care of the child and a special needs subsidy to provide special services for the child that the adoptive parents cannot afford and that are not covered by insurance. These services include medical, surgical and dental care, hospitalization, legal services, educational services, psychological and psychiatric treatment, physical therapy and equipment, treatment and training for physical and mental handicaps.

When an adoption of a child in the care of the Lynchburg Department of Social Services (LDSS) takes place, an "Adoption Assistance Agreement" is completed. This agreement documents the amount of monthly maintenance and special services payments to be paid to the adoptive parents. The agreement is signed by the adoptive parents and the LDSS director. A case action plan is then completed by the child's case worker and sent to the accounting unit to initiate the payments. Unless there is a change in the case, the payments continue automatically each month. One time payments may also be made for non-recurring expenses directly related to the adoption finalization when requested on separate case action plans.

For FY2006 through 5/05/06, state funds of \$1,319,090.00 had been spent on adoption assistance. This amount included \$147,497.00 on maintenance payments and \$1,171,593.00 on special services. The adopted budget amount for fiscal year 2006 was only \$1,090,599.00, but additional state funding of \$706,932.00 was requested and received in April. According to State officials, localities throughout the State have experienced budget shortfalls in the program this year.

This review was performed at the request of the Deputy City Manager.

Objectives

The objectives of our review were to determine:

- How payments are monitored;
- The process when new case action is implemented;
- Compliance with policies;
- How rates are set; and
- If payments are reasonable and accurate.

Scope of Work

The audit covered the period of June 2004 through February 2006 and included a review of the Code of Virginia Sections 63.2-1300 through 63.2-1304, the State Adoption Placement policy, adoption assistance agreements, and payment histories. We interviewed employees in the Foster Care/ Adoption program and Finance and tested a sample of cases for appropriate documentation and accuracy of payments.

The audit was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

Opinion On Internal Controls

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are properly recorded.

Although the Adoption Assistance Agreements are properly authorized by the director of LDSS, it is our opinion that the agreements need to be revised to allow the City to renegotiate special needs payments periodically. This practice would allow greater control over the City's resources needed to continue the program.

Observations

1.

The Code of Virginia, Section 63.2-1302 states, "Subsidy payments shall include ...a special need subsidy to provide special services to the child which the adoptive parents cannot afford and which are not covered by insurance or otherwise....". Additionally, "Special need subsidies may be paid to the vendor of the goods or services directly **or** through the adoptive parents".

Special Needs payments totaling \$48,804.00 were paid to three adoptive families over long periods of time when their children were placed in residential care facilities, even though the City made direct payments to those care facilities. These appeared to be overpayments since the children were not physically in the adoptive parents' homes and the special needs subsidies were not used to pay for the residential care.

We also noted several instances in which special needs payments were paid to adoptive parents and the City continued to pay providers directly for services. In one case, the adoptive parent was paid monthly special needs payments of \$1,156.00 and the City continued to pay \$252.00 a month for counseling. In another case, the parent received monthly special needs payments of \$1,300.00 and the City paid as much as \$400.00 for counseling sessions. In yet another case, the parents were paid monthly payments of \$1,006.00 and the City made payments to the Early Learning Center of more than \$300.00.

As noted in the "Introduction" of this report, subsidy payments are intended to cover the expenses due to the children's special needs such as medical, surgical and dental care, hospitalization, legal services, educational services, psychological and psychiatric treatment, physical therapy and equipment, treatment and training for physical and mental handicaps. However, some of the agreements we reviewed provided monthly special needs payments, yet listed additional services to be paid for by the City. Others listed services to be provided, but did not establish amounts to be paid. None of the agreements indicated what services were to be provided by the adoptive parents with the monthly special needs subsidies.

The Code of Virginia, also states, "Maintenance subsidy payments and special need subsidy payments shall be made on the basis of an adoption assistance agreement entered into by the local board and the adoptive parents....", and "Changes in this agreement may be made, with the concurrence of the adoptive parent(s), in the form of written amendments".

According to the State Regional Specialist for the Adoption Assistance Program, the agreements are legal contracts, and the amounts paid to the adoptive parents cannot be

recovered or discontinued. Therefore, unless the agreements are amended, the City must continue to pay the monthly subsidies as long as the agreements are in effect.

2.

LDSS has placed one hundred forty-nine (149) foster children in the Adoption Assistance Program. Prior to adoption, special needs subsidies, funded through the Comprehensive Services Act (CSA), were paid to the foster parents. We compared the monthly special needs payments for fifteen (15) of those children in foster care to the special needs payments for the same children after they were adopted. The monthly payments increased from \$4,712.00 to \$20,228.00, a difference of \$16,016.00. We reviewed check histories for the 15 cases and noted no reductions in the direct payments to service providers after the adoptions. According to staff, the Adoption Assistance program provided more funding for special needs payments than the Foster Care program.

Adoptive Special Needs subsidies are determined by the case worker based on the degree of physical, mental or emotional symptoms from neglect, abuse or heredity. We were given a copy of the protocol followed for special needs payments which equated the physical and mental disabilities with payment amounts. For example, "Children who have been abused or neglected will receive a special needs payment of \$100-\$500 depending on the level of need" and "\$100.00 is set aside for hereditary problem, congenital problem, or birth injury that could lead to future disability". The payments do not appear to be linked to actual costs for treatment.

According to an Adoption Program supervisor in another Virginia locality, his case workers determine adoption special needs subsidies based on the Child and Adolescent Functional Assessment System (CAFAS) or the Preschool and Early Childhood Functional Assessment System (PECFAS) used for determining foster care special needs payments. These systems are linked to specific plans of treatment. The locality ensures that the adoption special needs subsidies are at least the amounts received for foster care, but limits the subsidy to \$1,000.00 per month for each adopted child.

3.

The Adoption Assistance Agreement is a form contract created by the State Department of Social Services and used by Virginia localities to establish the amount of maintenance payments and special service payments, if provided, to be paid to the adoptive parents.

The agreement requires, "The adoptive parent(s) shall submit annually to the agency an affidavit which certifies that the child for whom they are receiving subsidy remains, legally, in their care and that they are continuing to support the child". It also requires, "The agency shall notify the adoptive parent(s) in writing of the need for submission of the affidavit. This notice shall be given two months before the affidavit is due. Failure of the adoptive parent(s) to submit the affidavit could be grounds for suspension of this

agreement". It also states that the agreement will remain in effect, *subject to annual certification*, unless termination occurs.

There were no affidavits in 7 of the 15 case files reviewed. The remaining 8 cases were children who had not been in the adoption program for a full year. Therefore affidavits were not due.

4.

According to the state policy and the Adoption Assistance Agreement, "Special service payments may be made directly to the providers of service or through the adoptive parents". The policy then states, "Providers must submit a bill before they can be paid" but the agreement requires, "A bill or receipt must be submitted before payment" which implies that the parents must also submit a bill. Although requiring that parents submit receipts to receive special needs subsidies was probably not the intent, the practice of paying monthly subsidy amounts appears to be in conflict with the agreements.

5.

Adoption assistance payments are processed manually and entered to the AS400 Welfare Payment System. They are not entered to the Harmony system, a system designed specifically for Social Services programs, which is used for other LDSS programs such as Comprehensive Services Act and Title IV-E foster care and adoption. Harmony maintains complete records of clients and payments made to providers of services for those clients.

During an audit performed of the Child Care program in 2003, management stated their intent to add the Adoption Subsidy program to the Harmony System. However, according to staff in the department, Harmony's security does not adequately protect the privacy of the adoption records and they have requested assistance from the Information Technology staff to correct the problem. Since records are not maintained on Harmony, payment histories for the adoption program are not readily available on line for monitoring or tracking. Therefore, unusual or duplicate payments are not easily detected.

Suggestions

Based on our interpretation of the Code of Virginia related to the adoption assistance program and our observations during the review, we make the following suggestions to enhance controls over the program resources:

1. Revise the Adoption Assistance Agreement to include:

- a clause allowing LDSS to renegotiate special needs subsidies when the child's needs change (ie., placement in a residential care facility);

- a clause allowing changes in payments based on the availability of funds;
- the specific services to be provided with the parents' monthly subsidy;
- the services provided by LDSS in addition to the subsidy amount;
- a clarification of when bills or receipts are needed before payments are made.

Management Response:

We agree. We are working with Susan Hartman in the City Attorney's Office to discuss the necessary elements of a revision. This will build on the platform of the State's agreement form. This form has been provided to localities as a suggested method of reflecting the substance and process of agreements. It is our intent to complete the revision by July 1, 2006.

2. Seek the assistance of the City Attorney's Office in preparation of the new agreement.

Management Response:

We agree. We are working with Susan Hartman in the City Attorney's Office to assist us in preparing the new agreement.

3. Request the City Attorney's review of the completed contracts prior to signing;

Management Response:

We disagree. The attorneys in the City Attorney's Office will provide guidance on the structure of the agreement but should not engage in social work decisions regarding the extent and nature of assistance. This process would generate a delay in the promulgation of agreements and would inappropriately divulge protected information to an unrelated party.

4. Determine the possibility of revising current assistance agreements to include the above changes.

Management Response:

We agree. We have learned that the substance of previous agreements can be modified on a voluntary basis only. We are in the process of reviewing each subsidy case and contacting subsidy recipients who have had a significant change in service needs. The purpose of these contacts is to attempt to renegotiate the terms of the agreement. We intend to complete this process by October 1, 2006.

5. Re-evaluate the protocol for determining special needs subsidy payments and provide more comprehensive explanations for the amounts decided upon.

Management Response

We agree. We are currently re-evaluating the protocol for determining special needs subsidy payments. Our goal is to have this completed by September 1, 2006.

6. Comply with the Code of Virginia by requesting the required annual affidavits from the adoptive parents.

Management Response:

We agree. This process has been in place since January 2006.

Management Response:

7. Pursue the effort to include the Adoption Program on the Harmony system to have more monitoring control over the subsidy and other purchased services payments.

Management Response:

We agree. It is our intent to complete the integration of the Adoption Program into Harmony by July 1, 2007.

Other Comments

We appreciate the help we received from the staff in the LDSS Foster Care/Adoption Program and the employees in Finance. We also want to thank Susan Hartman in the City Attorney's office for her valuable assistance. We are available to discuss this report.

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Michelle Kuhn, Assistant Auditor

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